



EXPLAINING THE RESOURCE ADJUSTMENT

What is the Resource Adjustment?

- The Resource Adjustment is a combination of two charges – the **Forecasted Fuel and Purchased Energy Adjustment** and the **Conservation Program Adjustment**. A portion of the state-mandated conservation program is recovered in base rates; the rest is recovered in the Resource Adjustment.
- The forecasted fuel adjustment portion of the Resource Adjustment fluctuates from month to month; the conservation adjustment is changed only once a year and must be approved by the Minnesota Public Utilities Commission. The Resource Adjustment is largely controlled by the forecasted fuel adjustment because it is much greater than the conservation adjustment.
- You won't see these two charges listed separately on your statement; they are combined on one line on your bill called "Resource Adjustment" as required by the MPUC. Both the forecasted fuel adjustment and the conservation adjustment are based on the number of kilowatt-hours of energy a customer uses.

Why is a Fuel and Purchased Energy Adjustment necessary?

- The cost of fuel and purchased power are a large part of an electric utility's expenses. Minnesota Power buys electricity on the open market when customer demand exceeds generation capacity or when outages to generation units occur. Purchasing electricity from other energy providers often costs more than producing it and the Public Utilities Commission allows Minnesota Power to collect the difference. The fuel adjustment is how regulated utilities like Minnesota Power reflect ongoing market fluctuations in the cost of coal and the cost of purchased power.
- Starting January 1, 2020, the Fuel and Purchased Energy Adjustment will be an approved forecasted rate with a true up in subsequent years for any differences between forecasted and actual recovered Fuel and Purchased Energy costs.
- Minnesota Power must report its forecasted costs for fuel and purchased power in an annual filing to state regulators for their review and approval. Minnesota Power must also report its actual recovered costs for fuel and purchased power in an annual filing to state regulators for their review and approval of any over/under recovered costs which will be included in a true up in subsequent years.

Please refer to pages 2 and 3 for Forecasted and True Up Fuel and Purchased Energy Rates

What is the Conservation Program Adjustment?

- Minnesota law requires Minnesota Power and other regulated utilities to invest in energy conservation and energy efficiency programs. Minnesota Power's investments in conservation program rebates, education and outreach are recoverable from customers. For delivering conservation programs that meet or exceed the state-established energy-saving goal, Minnesota Power can earn an incentive, which is also recoverable from customers.
- The conservation adjustment, approved by the MPUC, decreased in August 2023. It's now \$0.000306/kilowatt-hour.

Conservation Program Adjustment Rate – Effective 8/1/2023: 0.000306 (\$/kWh)

Forecasted Fuel and Purchased Energy Adjustment Rates- 2023

Forecast	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
	\$/kWh											
One Month Fuel Cost	0.03038	0.03095	0.02772	0.02773	0.02780	0.04006	0.04129	0.03766	0.04004	0.02727	0.02273	0.02436
Rate Class	Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
	\$/kWh											
Residential	0.03081	0.03139	0.02811	0.02812	0.02819	0.04062	0.04187	0.03819	0.04060	0.02765	0.02305	0.02470
Residential On-Peak (TOD)	0.03606	0.03673	0.03290	0.03291	0.03300	0.04755	0.04901	0.04470	0.04752	0.03237	0.02698	0.02891
Residential Off-Peak (TOD)	0.03183	0.03243	0.02905	0.02906	0.02913	0.04198	0.04326	0.03946	0.04196	0.02857	0.02382	0.02553
Residential Super Off- Peak (TOD)	0.02339	0.02383	0.02134	0.02135	0.02141	0.03085	0.03179	0.02900	0.03083	0.02100	0.01750	0.01876
General Service	0.03145	0.03204	0.02870	0.02871	0.02878	0.04147	0.04274	0.03898	0.04145	0.02823	0.02353	0.02522
Large Light and Power	0.03068	0.03125	0.02799	0.02800	0.02807	0.04045	0.04170	0.03803	0.04043	0.02754	0.02295	0.02460
Large Power	0.03008	0.03065	0.02745	0.02746	0.02753	0.03967	0.04089	0.03729	0.03965	0.02700	0.02251	0.02412
Lighting	0.02509	0.02556	0.02289	0.02290	0.02296	0.03308	0.03409	0.03110	0.03306	0.02252	0.01877	0.02011

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1/- October – December 2023 Forecasted FAC Rates Updated Effective 10/1/2023 due to Significant Events Filing (E015/AA-22-216).

2022 True Up Fuel and Purchased Energy Adjustment Rates- 2023

<u>True Up</u>		Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
		\$/kWh											
One Month Fuel Cost										0.00184	0.00183	0.00176	0.00163
<u>Rate Class</u>		Jan 2023	Feb 2023	Mar 2023	Apr 2023	May 2023	Jun 2023	Jul 2023	Aug 2023	Sep 2023	Oct 2023	Nov 2023	Dec 2023
		\$/kWh											
Residential	1.01406									0.00187	0.00186	0.00178	0.00165
Residential On-Peak (TOD)	1.18688									0.00218	0.00217	0.00209	0.00193
Residential Off-Peak (TOD)	1.04783									0.00193	0.00192	0.00184	0.00171
Residential Super Off- Peak (TOD)	0.76998									0.00142	0.00141	0.00136	0.00126
General Service	1.03518									0.00190	0.00189	0.00182	0.00169
Large Light and Power	1.00982									0.00186	0.00185	0.00178	0.00165
Large Power	0.99024									0.00182	0.00181	0.00174	0.00161
Lighting	0.82572									0.00152	0.00151	0.00145	0.00135